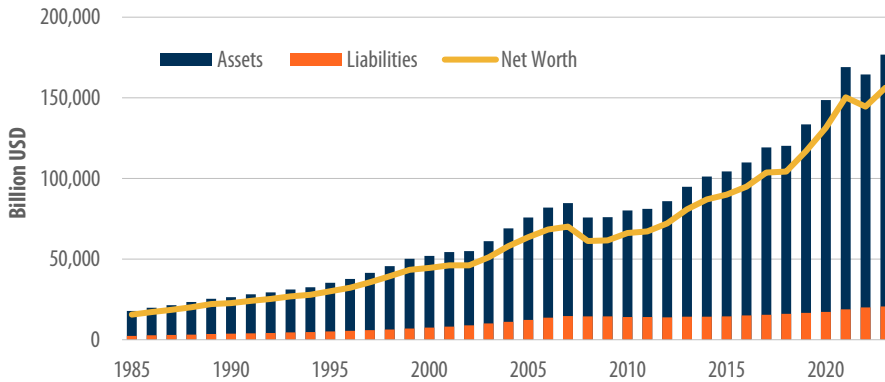


In this week's edition of "Three on Thursday," we look at the current overall financial health of households in the United States. Quarterly, the Federal Reserve Board of Governors releases a report officially known as the "Z.1 Financial Accounts of the United States," which provides comprehensive data on the flow of funds and levels of financial assets and liabilities for various sectors of the U.S. economy. This report provides a look at the overall health of all households combined but does not look at households on an individual basis. Released last week, the Q4 report reveals that household net worth rose to a record in 2023, as assets grew faster than liabilities. Overall, the Z.1 Financial Accounts of the United States serve as a valuable resource for understanding the structure and dynamics of the U.S. economy and financial markets. They are widely used by economists, policymakers, investors, and researchers for analysis and forecasting purposes. To offer deeper insights, we've included three informative charts below.

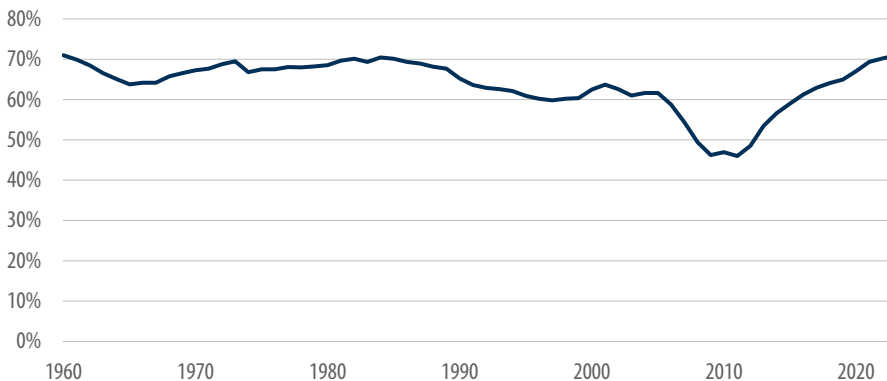
Balance Sheet of Households & Nonprofit Organizations



Source: Federal Reserve Board, First Trust Advisors. Annual data 1985 -2023.

Net worth for households and nonprofit organizations hit record highs in 2023, rising 8% from 2022 to \$156.2 trillion. This surge was fueled by a \$12.1 trillion uptick in assets, with corporate equities leading the way seeing a \$7.85 trillion gain in market value. Additionally, household real estate saw a substantial increase of \$2.2 trillion. On the other hand, liabilities experienced a relatively modest rise of \$559.7 billion, or 2.8%, with residential mortgages contributing \$356 billion to this increase.

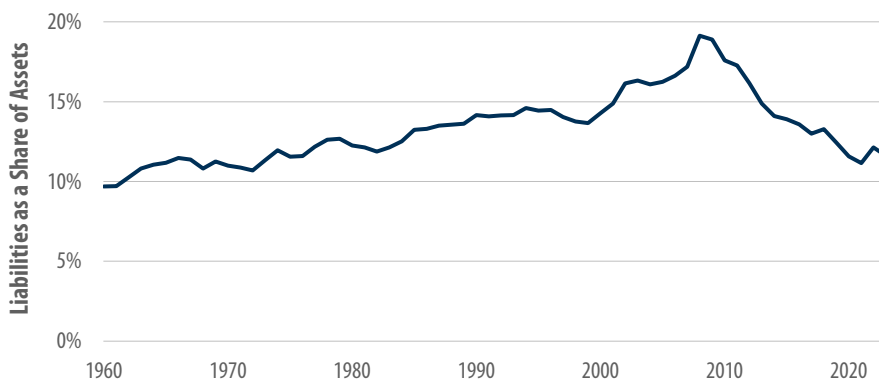
Households: Owners' Equity as a % of Household Real Estate



Source: Federal Reserve Board, First Trust Advisors. Annual data 1960 - 2023.

The value of household real estate has been increasing at a significantly faster rate than residential mortgages. As a result, household owners' equity as a share of overall home asset values, reached 70.9% for all of 2023. This measure also includes in it those who own their homes outright. A reading of 70.9% represents the highest annual recording since 1960. This statistic, among many others, underscores the overall health and stability of the housing market, contrasting starkly with the conditions that led to the housing bubble in the early 2000s.

Household Leverage



Source: Federal Reserve Board, First Trust Advisors. Annual data 1960 - 2023.

Household leverage, represented by household liabilities as a share of household assets, declined to 11.6% in 2023, down from 12.1% in the previous year. This measure experienced significant growth from 2000 until the Great Recession, reaching its peak at 19.1% in 2008 during the real estate bubble. Fortunately, the current landscape does not mirror those challenging times. Household leverage now rests at levels close to the lowest seen since the 1970s, indicating robust and healthy household balance sheets.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.